

**Quote - Q-2023-1075 - Management and Acquisition of Contingent Labour****File No: X098701.12****Quote No: Q-2023-1075****Summary**

This report provides details of the quotes received for the provision of Management and Acquisition of Contingent Labour.

The City engages a range of temporary agency workers to backfill employee leave, fill temporary vacancies, staff hard to fill roles where recruitment efforts have failed, staff specific time-limited projects and hire expertise for capital projects. Agency workers are used to bring into the City skills and experience that is otherwise not available or only required for a particular period of time.

Temporary agency workers are fundamental to Council being able to deliver its operational and capital projects, as per the commitments given to the community in the City's delivery program and operational plan.

The City has acquired its agency workers via a Managed Service Provider since 2019.

Managed Service Providers manage the various supply chains of recruitment agencies who source the people needed to fill specific temporary roles. Many local governments and state government agencies use Managed Service Providers to source and manage their temporary agency workers.

Following Council endorsement, a Managed Service Provider was appointed in January 2019 for a period of three years, with the option of an extension for two years. The option was exercised and this arrangement now ends in January 2024.

Based on the benefits that a Managed Service has brought to the City since 2019, a decision was made to undertake a procurement process for a Managed Service Provider to manage temporary labour supply on behalf of the City. Benefits of this method include supply of quality temporary labour, comprehensive reporting and auditing, and process efficiencies for the City.

The City utilised the Local Government Procurement Panel to undertake a Request for Quote (RFQ) process for the provision of Management and Acquisition of Contingent Labour (LGP808-4 Human Resources (HR) – Permanent and Temporary Placements and Associated Services – Expiring in February 2033).

The Local Government Procurement Panel offered the best sourcing option for the City. The Request for Quote was released on 4 September 2023.

Local Government Procurement has been prescribed under section 55 of the Local Government Act 1993 (NSW) to carry out group public tenders on behalf of NSW local government. This allows councils to utilise supply arrangements coordinated by Local Government Procurement without the need to go to tender, in their own right, including for procurement that is greater than \$250,000 (inclusive of GST).

This report recommends that Council accept the offer of Bidder A for Management and Acquisition of Contingent Labour.

## Recommendation

It is resolved that:

- (A) Council accept the quote of Bidder A for the Management and Acquisition of Contingent Labour for a period of three years, with the option of an extension of two years if appropriate;
- (B) Council note that the total contract sum and contingency for the Management and Acquisition of Contingent Labour is outlined in Confidential Attachment A to the subject report;
- (C) authority be delegated to the Chief Executive Officer to finalise, execute and administer the contracts relating to the quote referred to in (A)
- (D) authority be delegated to the Chief Executive Officer to exercise the option referred to in (A), if appropriate; and
- (E) Council approve the additional recommendations included in Confidential Attachment A to the subject report for the reasons set out in that attachment.

## Attachments

**Attachment A.** Quote Evaluation Summary and Financial Implications (Confidential)

**Attachment B.** Price and Schedule of Rates (Confidential)

## Background

1. The City engages a range of temporary agency workers to backfill employee leave, fill temporary vacancies, staff hard to fill roles where recruitment efforts have failed, staff specific time-limited projects and hire expertise for capital projects. Agency workers are used to bring into the City skills and experience that is otherwise not available or only required for a particular period of time.
2. Temporary agency workers are fundamental to Council being able to deliver its operational and capital projects, as per the commitments given to the community in the City's delivery program and operational plan.
3. The City engages a wide range of temporary agency workers to meet short-term needs, deal with fluctuating work volumes, back fill vacancies and to staff specific projects.
4. In 2018, opportunities to improve the way the City procures temporary labour were identified as:
  - (a) gaining access to a wider talent pool to service all parts of the organisation;
  - (b) flexibility to respond to changing labour markets and the City's operational requirements;
  - (c) improved reporting and transparency;
  - (d) ensuring high levels of compliance;
  - (e) simplifying the agency engagement process for hiring managers;
  - (f) improving the candidate experience; and
  - (g) enhanced contract management.
5. In 2018, the City conducted a tender for a Managed Service Provider to acquire and manage contingent labour. The contract with the current Managed Service Provider commenced on 14 January 2019. The initial term was for three, with an option for an additional two years exercised in 2022. This arrangement ends in January 2024.
6. Managed Service Providers manage the various supply chains of recruitment agencies who source the people needed to fill specific temporary roles. Due to their buying power they are able to negotiate more competitive recruitment agency fees while protecting the pay that agency workers receive, and they can source workers from a larger pool.
7. Implementation of the Managed Service Provider model has provided greater access to talent across many agencies, delivered greater transparency of agency workers' earnings, ensured high levels of compliance in relation to police checks, licences and other such requirements, and improved the candidate and hiring manager experience.

8. The Managed Service Provider has also provided the City with savings in its agency labour expenditure through its close scrutiny of agency margins, strategic sourcing and purchasing power. Pay rates for agency workers are set in accordance with the relevant state industry awards and federal modern awards such as the Local Government Industry Award, Children Services Award, and the Education Services Award. Some specialist workers are paid above these award rates when there is high competition for talent or skill shortages.
9. In 2022/23, expenditure on temporary agency workers was \$41.1M which comprised:
  - (a) \$18.5M Operational expenditure (seven per cent of total City employee related costs). These workers include those filling short-term vacancies and backfilling employee planned and unplanned leave, such as in our libraries, child care centres and for events like New Years Eve.
  - (b) \$22.6M Capital expenditure (14 per cent of total CAPEX budget). These workers include specialist workers such as IT project managers and building and construction managers engaged to deliver our capital works program and IT capital program.. They include workers where the City has a time-limited, non-going need for this expertise.
10. Based on the benefits that a Managed Service has brought to the City since 2019, a decision was made to undertake a procurement process for a Managed Service Provider to manage temporary labour supply on behalf of the City upon the expiration of the current contract. Benefits of this method include supply of quality temporary labour, comprehensive reporting, and process efficiencies for the City.
11. The City utilised the Local Government Procurement Panel to undertake a Request for Quote (RFQ) process for the provision of Management and Acquisition of Contingent Labour (LGP808-4 Human Resources (HR) – Permanent and Temporary Placements and Associated Services – Expiring in February 2033).
12. Local Government Procurement has been prescribed under section 55 of the Local Government Act 1993 (NSW) to carry out group public tenders on behalf of NSW local government. This allows councils to utilise supply arrangements coordinated by Local Government Procurement without the need to go to tender, in their own right, including for procurement that is greater than \$250,000 (inclusive of GST). A review of procurement options identified that Local Government Procurement Panel offered the best sourcing option for the City.

### **Invitation to Quote**

13. A Request for Quote for the provision of Management and Acquisition of Contingent Labour was released through the Local Government Procurement Managed Service Provider panel on 4 September 2023 and closed on 25 September 2023.

### Quote Submissions

14. Two submissions were received from the following organisations:
  - (a) Comensura Pty Ltd (ABN 30 120 725 902)
  - (b) Kelly Outsourcing And Consulting Group Australia Ltd (ABN 45 010 806 523)
15. No late submissions were received.

### Quote Evaluation

16. All members of the Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
17. The relative ranking of submissions as determined from the total weighted score is provided in the Confidential Attachment A.
18. All submissions were assessed in accordance with the approved evaluation criteria being:
  - (a) Response to Requirements and Proposed Program;
    - (i) Sourcing and Onboarding
    - (ii) Vendor Management System – VMS
    - (iii) Management of Recruitment Agencies
    - (iv) Account Management & Proposed Team
    - (v) Reporting Capability
    - (vi) Invoicing and Payment terms
    - (vii) Overall Proposed Program
  - (b) Pricing;
    - (i) Managed Service Provider Fee
    - (ii) Supplier Mark-up
    - (iii) Payroll Fee
    - (iv) Temporary to Permanent Change fees
    - (v) Permanent and Statement of Work Recruitment Fee
    - (vi) Value Adds

- (c) Implementation Plan
  - (i) Transition of Contingent Workers from previous provider if required
  - (ii) Implementation of Account Management Team
  - (iii) Implementation of Vendor Management System (VMS) & Technical Pre-requisites
  - (iv) Identified Risks and Risk Management Plan
  - (v) Escalation Hierarchy and Issue Management Process
  - (vi) Communications Plan
  - (vii) Timeline and Key Milestone.
- (d) Service Levels and KPIs;
- (e) Previous Experience.

## 11. Performance Measurement

19. The following Key Performance Indicators (KPI) were set out in the Request for Quote documentation:

### 1 Booking Rate Accuracy

- a. Ensure rate accuracy and data integrity in Vendor Management System
- b. All pay and charge rates align with contractual terms and conditions.

### 2 Spend Under Management Compliance

- a. Cost containment, panel supplier engagement, risk reduction & elimination of non-panel spend.
- b. MSP will ensure that all in scope workers are setup in the Vendor Management System for timesheeting and invoicing.

### 3 Market Rates

- a. Cost containment, competitive hiring to target/market rates
- b. Conduct biannual rate reviews by requesting suppliers to provide market rates for target position titles.

### 4 Time to fill

- a. Efficiency, speed to market
- b. Managed Service Provider to ensure all job posting information is accurate before distribution to market.

### 5 Issue Resolution

- a. Efficiency, problem resolution
- b. Responsiveness to address issues

- c. Administrative issues addressed within 24 hours, Technical issues addressed within 48 hours with ETA provided on resolution time.

## **6 Supplier performance management**

- a. Vendor management and supplier rationalisation
- b. Develop vendor performance scorecard on agreed supplier KPIs and conduct Bi-Annual supplier performance reviews.

## **7 Hiring Manager Satisfaction**

- a. Hiring manager satisfaction with service delivery and overall customer experience
- b. Managed Service Provider will commit to overall customer satisfaction measured through survey sent to Hiring Managers.

## **8 Account governance**

- a. Drive customer engagement, deepen customer relationship to deliver value and act as point of escalation
- b. Conduct timely Quarterly Business Reviews, attend monthly operational meetings and provide accurate minutes.

## **9 Compliance to onboarding including background checks**

- a. Ensure all checks and references required in the recruitment process are completed before the worker starts
- b. Managed Service Provider shall monitor all onboarding pre-defined activities to ensure agency workers' bookings are compliant.

## **Financial Implications**

- 20. Individual capital works project budgets allow for the engagement of agency workers when required.
- 21. There are sufficient funds allocated for work completed within the current year's capital works and operating budgets and future years' forward estimates for agency workers engaged for operational projects and functions.
- 22. Each engagement of contingent labour requires the approval of the delegated Unit or Project Manager budget owner to assess the availability of funding.
- 23. The total contract sum and contingency for Management and Acquisition of Contingent Labour and other associated matters covered by this report is detailed in Confidential Attachment A.

### Relevant Legislation

24. The tender process was conducted by Local Government Procurement in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
25. Local Government Procurement has been prescribed under section 55 of the Local Government Act 1993 (NSW) to carry out group public tenders on behalf of NSW local government. This allows councils to utilise supply arrangements coordinated by Local Government Procurement without the need to go to tender, in their own right, including for procurement that is greater than \$250,000 (inclusive of GST).
26. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
27. Attachments A and B contain confidential commercial information of the bidders and details of Council's evaluation and contingencies which, if disclosed, would:
  - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
  - (b) prejudice the commercial position of the person who supplied it.
28. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

### Critical Dates / Time Frames

29. 14 January 2024 – current contract expires.

## Options

30. The City could manage the numerous recruitment agencies itself without the coordination of a Managed Service Provider. This was evaluated as a less efficient and more expensive option due to the City's comparatively weaker negotiating power with recruitment agencies resulting in higher fees.
31. A master vendor managed service model also exists in the market, where the service provider is also a supplier of agency workers. The City declined to pursue this model due to concerns about transparency of the process and the possible lack of diversity in the range of agencies that could supply the City with agency workers.
32. The preferred option is a vendor-neutral Managed Service Provider (MSP) that partners with an agreed list of recruitment suppliers, which are all given a fair opportunity to put forward candidates. Unlike the master vendor serviced model, a Managed Service Provider does not itself supply most of the candidates. The City's use of a vendor-neutral Managed Service Provider over the past five years has resulted in \$3M savings, in addition to the other benefits outlined in this report.

## **SUSAN PETTIFER**

Director People Performance and Technology

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Rodney Waterson, Manager Recruitment and HR Systems